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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

NETWORK APPLIANCE INC,
Plaintiff,
v.
SUN MICROSYSTEMS INC,
Defendant.

No. C-07-06053 EDL

**ORDER DENYING SUN
MICROSYSTEM, INC.'S RENEWED
MOTION FOR PARTIAL STAY**

Sun Microsystems Inc.'s renewed motion for partial stay of the case pending reexamination of United States Patent No. 6,892,211, docket number 146, was heard on October 10, 2008. Having read all the papers submitted and carefully considered the relevant legal authority and the argument of counsel, the Court hereby DENIES Sun's motion for the following reasons.

I. BACKGROUND

The Court previously granted Sun's request for a stay pending the Patent and Trademark Office's reexamination of Patent No. 6,857,001, and denied Sun's request for a stay pending reexamination of Patent No. 5,819,292 and the '211 patent. See May 23, 2008 Order (docket no. 68). On August 28, 2008, the PTO issued its initial office action regarding the '211 patent based on twelve prior art references, and found sixteen bases for rejecting the claims. On September 8, 2008, Sun renewed its motion for a stay of the '211 patent, contending that it is now highly likely that the claims of the '211 patent will be invalidated or substantially narrowed during the reexamination proceeding.

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1 The Court issued its Order Construing Claims on September 10, 2008. The Court has set a
2 hearing on summary judgment motions on NetApp's patents on June 18, 2009, and on Sun's patents
3 on June 25, 2009. No trial date has been set.

4 **II. LEGAL STANDARD**

5 As noted in the Court's May 23, 2008 Order, reexamination is a procedure by which a person
6 can request that the PTO reexamine or reevaluate the validity of a United States patent that has
7 already issued. 35 U.S.C. § 302. Courts have the discretion to stay judicial proceedings pending
8 patent reexamination, but are not required to do so. Fresenius Medical Care Holdings, Inc. v. Baxter
9 Intern, Inc., Case No. 03-1431, 2007 WL 1655625 at *2 (N.D. Cal. 2007). In determining whether
10 to stay this case pending re-examination, the Court considers factors such as (1) the stage of the
11 case; (2) whether a stay will simplify the court proceedings; and (3) whether a stay would unduly
12 prejudice or present a clear tactical disadvantage to the nonmoving party. Telemac Corp. v.
13 Teledigital, Inc., 450 F.Supp.2d 1107, 1111 (N.D. Cal. 2006).

14 **III. DISCUSSION**

15 Having weighed the factors for determining whether to stay pending reexamination, the
16 Court concludes that while the question is a close one, partially staying the case pending
17 reexamination of the '211 patent is not warranted.

18 The case is further along than it was five months ago when the Court denied Sun's first
19 request for a stay. The Court has construed some claim terms of the patent and, although discovery
20 is far from complete, one inventor has already been deposed and NetApp has already produced over
21 three million pages of documents.

22 With respect to simplification of litigation, the PTO has rejected the claims of the '211 patent
23 based on twelve prior art references, and on numerous grounds. Sun argues that should the PTO
24 reject the claims and find the patent invalid based on prior art, no further litigation would be
25 necessary. Even if some claims survive reexamination, they may be modified and statements made
26 by the parties during reexamination may be relevant to construction of surviving claims. NetApp
27 counters that there is no basis for Sun's statement that, in light of the initial office rejection, it is
28 highly likely that all claims will be invalidated or substantially narrowed during reexamination.

1 The recently released Sedona Conference paper entitled Reexamination Practice with
2 Concurrent District or USITC Patent Litigation by Robert Greene Sterne, et al. (the “Sterne Paper”)
3 reveals that the PTO almost always grants initial rejections in inter partes reexaminations against all
4 claims. Sterne Paper at 32 and Attachment (Inter Partes Reexamination Filing Data, June 30, 2008).
5 Thus, the Court gets only limited guidance from initial actions as to the ultimate outcome. Indeed,
6 denials, which are the exception, may shed more light than grants, which are the rule. Furthermore,
7 the possibility of conflicting results between the Court and the PTO do not compel staying the
8 action. Indeed, it is possible that in the event of a conflict, the Federal Circuit may affirm the district
9 court’s determination on validity. See, e.g., Technology Licensing Corp. v. Videotek, Inc., ___ F.3d
10 ___, 2008 WL 4529095 at *12 (Fed. Cir., October 10, 2008).

11 Finally, NetApp would face a tactical disadvantage if the ’211 patent litigation is stayed, as
12 the Court noted in its May 23, 2008 order. NetApp argues that the tactical disadvantage is even
13 greater now because it would reduce NetApp potentially to only one patent at trial. Sun points out
14 correctly that NetApp chose to have claims construed in the ’211 patent although it was on notice
15 that the Court might reconsider staying the proceedings as to the ’211 patent depending on
16 subsequent action by the PTO. May 23, 2008 Order at 8. Sun also points out that NetApp can
17 prioritize one of its other patents in suit instead. Nonetheless, NetApp understandably prefers to
18 make its own strategic and tactical decisions in the litigation.

19 Importantly, undue delay that would frustrate effective case management is highly likely in
20 light of the following observations in the Sterne Paper. First, the median time from filing date to
21 certificate issue date is 31.0 months, and the average pendency is 32.7 months. Sterne Paper,
22 Attach. ¶ 6 (Inter Partes Reexam. Data). Second, although the PTO is trying to improve the
23 efficiency and quality of patent reexamination and give priority to patents stayed in litigation,
24 patents of the type at issue here -- electrical/software/business method arts -- represent a
25 disproportionate and increasing share of all reexaminations and take longer than other groups to
26 result in a final action. Id. at 29-30, 32. Furthermore, reexamination requests are trending upward.
27 Id., Attach. ¶ 3. Thus, it is unclear at best whether the PTO will keep pace with the increase in
28 reexamination requests, much less improve the average time. Third, the PTO has an uncertain and

1 time-consuming appeal process: the Board of Patent Appeals & Interferences (“BPAI”) has decided
2 only three inter partes reexaminations, each of which resulted in a non-final, non-appealable
3 decision and was remanded to the examiner for further prosecution. Id. at 10-11.

4 Furthermore, only twenty-seven inter partes reexamination certificates issued from 1999 to
5 present, which is too limited a sample from which to draw a robust conclusion that NetApp’s patents
6 in reexamination are as likely to be significantly altered or invalidated as these twenty-seven. Id.,
7 Attach. ¶ 7. While the majority resulted in all claims cancelled (twenty-one certificates) or claims
8 changed (four certificates), in many cases the patent holder abandoned its defense of the patent by
9 failing to respond to office actions and the like, as noted in the Court’s May 23, 2008 Order at 5.
10 There is no showing that NetApp would do so with respect to the ’211 patent. On balance,
11 therefore, the scale tips somewhat against staying the litigation as to the ’211 patent, for the reasons
12 set forth in the previous opinion and for the reasons stated here.

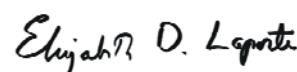
13 Although the ’292 patent was not the subject of Sun’s motion, Sun has since represented to
14 the Court that the PTO has issued an office action rejecting the claims of the ’292 patent, and that it
15 intended to apply for a stay as to that patent. It appears to the Court, and the parties seem to agree,
16 that similar reasoning in favor of and against such a stay would apply. Therefore, Sun may not bring
17 a motion to stay the ’292 patent at this time, absent a valid, potentially decisive distinction.

18 **IV. CONCLUSION**

19 For the foregoing reasons, Sun’s renewed motion for partial stay pending reexamination of
20 the ’211 patent is DENIED (docket no. 146).

21 **IT IS SO ORDERED.**

22 Dated: November 3, 2008



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ELIZABETH D. LAPORTE
24 United States Magistrate Judge
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